



HOUSE BUDGET COMMITTEE

Democratic Caucus

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President Bush and the State of the Union: Budget Promises Made, Budget Promises Broken

Tonight, the nation will tune in for President Bush's fifth address on the State of the Union. As in the past five years, President Bush will likely make pronouncements about how the policies in his budget will lead the country down a fiscally responsible path. And, as in the past five years, those promises of fiscal responsibility and of reducing the nation's deficits and debt are unlikely to be borne out by subsequent developments.

President Bush Breaks Promises About Improving the Deficit — Over the past four years, the President has repeatedly promised to shrink the deficit:

"... our budget will run a deficit that will be small and short-term..." *President Bush, State of the Union, January 2002.*

"... we can cut the deficit in half over the next five years." *President Bush, State of the Union, January 2003.*

"...we can cut the deficit in half over the next five years." *President Bush, The Budget Message of the President, February 2004.*

"I will send you a budget that holds the growth of discretionary spending below inflation, makes tax relief permanent, and stays on track to cut the deficit in half by 2009. "
President Bush, State of the Union, January 2005.

Despite these claims, the deficit has continually grown worse. The Bush Administration inherited a ten-year surplus of \$5.6 trillion (2002-2011), but Republican policies have squandered that surplus. When adjustments are made to the baseline to create a realistic estimate of the current Republican policy agenda, the \$5.6 trillion ten-year surplus (2002-2011) inherited by this Administration in 2001 has been entirely dissipated, and instead replaced by a deficit of \$3.4 trillion over the same time period – a reversal of \$9.0 trillion. This track record makes it clear that the President's claims of progress cannot be taken at face value.

Despite Claims, Deficits Have Been Neither Small Nor Short-Term — The deficit in 2002 was \$158 billion, and the deficits in each of fiscal years 2003 through 2005 all exceeded \$300 billion.

The deficit is not cyclical; it is structural, with the Congressional Budget Office projecting deficits every year through 2011. When incorporating many Administration policies that CBO omits, such as funding the war in Iraq and fixing the Alternative Minimum Tax, we can expect large deficits up until 2016 and beyond.

Repeatedly, the President’s Budget Admits the Deficit is Worse — Repeatedly, the President’s budget sets forth a set of deficit projections, but in the subsequent year, those projections only get worse. It is as if the “good times” are always right around the corner, but then those “good times” keep getting pushed off further into the future.

This fact is clear when looking at the deficit projections for a specific year. For example, for the current fiscal year, 2006, President Bush originally projected a \$305 million surplus. But in 2002, that projection was revised downward to an \$86 million surplus. Then in 2003, the projection was pushed to a deficit of \$201 billion, followed by further downward revisions in each subsequent year, culminating in a deficit projection for 2006 of \$390 billion. This same trend is seen for the deficit projections made for each of fiscal years 2005 through 2008.

<i>All dollars in billions</i>	FY 2005	FY 2006	FY 2007	FY 2008
Bush Administration’s surplus/deficit projection, February 2001	\$269	\$305	\$340	NA
Bush Administration’s surplus/deficit projection, February 2002	\$61	\$86	\$104	NA
Bush Administration’s surplus/deficit projection, February 2003	-\$208	-\$201	-\$178	-\$190
Bush Administration’s surplus/deficit projection, February 2004	-\$364	-\$268	-\$241	-\$239
Bush Administration’s surplus/ deficit projection, February 2005	-\$427	-\$390	-\$312	-\$251

Bush Administration Continually “Lowers the Bar” In Order to Claim Progress — In 2003, the President set the goal of “cutting the deficit in half in five years,” but the goal keeps changing. The goal was based on an inflated 2004 projected deficit of \$521 billion. Setting the goal at half of an artificially inflated number made the goal easier to meet. Then, in subsequent years, the Bush Administration instead redefined the goal as cutting the deficit in half as a percent of GDP, also an easier goal to meet.

Marginally Improving a Record Deficit is Not “Progress” — Republican claims that progress on the deficit will occur at some future time – including the Administration’s persistent claim that it will cut the 2004 deficit in half by 2009 – lack credibility. The standard of progress the Administration sets for itself is dubious: turning a record surplus in 2000 into a record deficit by 2004 and then digging only halfway out of that deficit hole hardly constitutes an achievement.

Goal of “Cutting the Deficit in Half” May Leave Inaccurate Impression — The Administration’s claims of cutting the deficit in half in five years might lead some to think that the budget is on a linear path and will completely eliminate the deficit in ten years. In fact, even if the five-year goal is met, the budget deficit will immediately begin to balloon in the sixth and subsequent years. When realistic adjustments are made to the baseline, the ten-year deficit is \$3.9 trillion, triple-digit annual deficits never drop below \$327 billion, and by 2016 the annual deficit rises to \$528 billion. These more realistic estimates account for extending the President’s tax cuts, funding ongoing operations in Iraq and Afghanistan, fixing the Alternative Minimum Tax, continuing the President’s defense build-up, and related interest costs.